

Zeitschrift: Helvetia : magazine of the Swiss Society of New Zealand
Band: 11 (1945-1946)
Heft: 8

Rubrik: Letter from Switzerland : Switzerland's economic situation at the end of the first quarter of 1946

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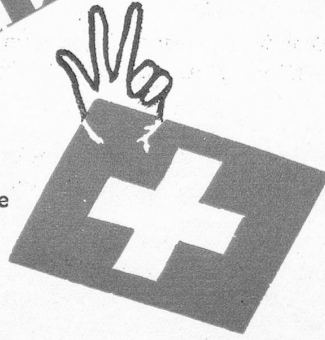
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HELVETIA



Monthly Publication of the

SWISS BENEVOLENT SOCIETY
in New Zealand

Group New Zealand of the N.H.G.

WELLINGTON.
JUNE, 1946.

LETTER FROM SWITZERLAND.

SWITZERLAND'S ECONOMIC SITUATION AT THE END OF THE FIRST QUARTER OF 1946.

The revival of foreign trade noted in Switzerland during the second half of 1945, has continued into the present year as evidenced by the January-March returns. This upward trend must be attributed partly to the gradual return to normal of transports and communications, whether by sea, river, rail or air and, partly also, to the numerous trade agreements Switzerland has signed with other Governments. These agreements are all of the bi-lateral type and are based on the principle of mutual financial credits opened by each of the signatories in favour of the other partner in their respective national currency; these credits can be used by the debtor State to cover its trade balance non-compensated by an exchange of goods with the creditor State. During the first month of this year, Switzerland has concluded treaties of this kind with Great Britain, the Belgo-Luxembourg Union, Poland, Sweden, the Netherlands, France, Denmark and Hungary. The recent renewal of diplomatic relations with the Soviet Union is considered in Switzerland as the most outstanding economic event so far recorded this year, because it also opens the door to a revival of trade between the two countries.

During the first three months of 1946, Switzerland imported about 1,200,000 tons of merchandise, against only 100,000 tons registered for the corresponding period in 1945. These goods were paid in the amount of 810.7 million francs. Switzerland also exported goods to the value of 527.4 million Swiss francs. Switzerland's trade balance for the first three months of the year therefore shows a debit balance of 274.3 million Swiss francs against a credit balance of 100.9 millions.

Swiss customs revenue and Swiss Federal Railway returns have reflected this welcome revival of foreign trade. Customs show receipts amounting to 23.1 millions for March last and, for the whole of the period under review, 61.6 million francs. These figures can be considered as normal on the basis of pre-war figures.

The arrival of large quantities of raw materials and the flow of foreign orders placed with Swiss firms, have made it possible for industry as a whole to work to its full capacity, the only exceptions being certain industries which still lack raw materials. The aggregate number of factory operatives in Switzerland increased by about 12% during 1945. Over the February-March 1946 period, the number of full-time unemployed fell from 9,234 to 3,115 for the whole of the country. There is now even a shortage of skilled labour in many trades, and especially in agriculture, the hotel trade, domestic service and the building trades. An investigation made among industrial firms at the end of 1945, gave the following results: activity was considered good by 52.9% of the firms approached, as satisfactory by 38.5%

and as bad by 3.6%. Prospects for the near future are held to be good or satisfactory by 68.7% of the same firms, as uncertain by 28% and as bad by 3.3%.

From the early days of the war up to the end of December 1945, wages for industrial workers in Switzerland had been increased by 51.1%, including higher rate of living allocations.

The cost of living index again fell a little in Switzerland during March last. Rate of living is now 49.3% higher than in August 1939. This slight regression is chiefly due to the fall in the cost of imported goods. The price of home-produced goods are still at war level, and farm produce even shows a slight upward trend.

The revival of international travel for business and pleasure has found reflection in the considerable increase in the arrival of foreign visitors to Switzerland. During January 1946, the Swiss hotel trade recorded 261,000 registrations, representing over one million hotel nights. The number of foreigners arriving in the country increased by 65% and that of night registrations by 37% as compared with January 1945 figures.

On his return from the London Economic Conference, Mr. Feisst, Head of the Federal Wartime Food Supply Department, made his report to the Swiss Federal Council on the discussions held in London. During this Conference, the Swiss delegate pointed out that the restrictions imposed by the Swiss Government as soon as the war broke out have made it possible for this country to build up, in five years, a reserve stock of wheat equivalent to the nation's annual consumption. Mr. Feisst also announced in London that Switzerland would accept a reduced quota for the coming month, even though this would entail a reduction in bread rations this summer.

The $3\frac{1}{2}\%$ 450 million Federal Loan, issued for public subscription from April 1st - 9th, has proved an outstanding success. In effect, subscriptions totalled roughly 699 million francs and, as the Swiss Federal Council had reserved the right to raise the nominal capital of the Loan, it was decided to accept 650 millions.

Switzerland's economic situation has improved in recent months. Although it is difficult for this little country to lend its aid in the matter of Europe's food supplies, seeing that it is itself dependent of foreign sources of supply, it can nevertheless provide war-stricken countries with essential commodities.

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SOVIET-SWISS PACT TO EXPEDITE TRADE.

Still greater strides toward the rehabilitation of Europe are expected from the resumption of Swiss-Russian diplomatic relations, which have been suspended since 1919, than from the Anglo-Swiss payments agreement early in March, George H. Morison writes in a wireless to the New York Times March 24 from Zurich.

In suddenness and significance this momentous development recalls the Rapallo Treaty between Germany and Russia at the World Economic Conference of 1922, likewise between two countries suffering from conscious isolation. Germany thereby obtained immediate access to markets where the penalties of the Versailles Treaty did not apply. Within a few years German-Russian trade underwent immense expansion despite the fact that the ideological differences between Germany and Russia were as great then as those between Switzerland and Russia now.

The uncertainty as to whether England ever will obtain the promised credit from the United States, the consequent skepticism about the feasibility of the Bretton Woods plan, and, finally, the postponement of the World Economic Conference prevent the countries devastated by war from making any